

HSBC HOLDINGS PLC
Form 6-K
May 03, 2011

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a - 16 or 15d - 16 of
the Securities Exchange Act of 1934

For the month of May

HSBC Holdings plc

42nd Floor, 8 Canada Square, London E14 5HQ, England

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F).

Form 20-F Form 40-F

(Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934).

Yes..... No

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-.....).

29 April 2011

GRUPO FINANCIERO HSBC, S.A. DE C.V.
FIRST QUARTER 2011 FINANCIAL RESULTS - HIGHLIGHTS

Net income before taxes for the first quarter of 2011 was MXN979m, an increase of MXN250m or 34.3% compared with MXN729m in the first quarter of 2010. Results were affected by one-off charges associated with the restructuring of regional services provided by the bank. Excluding the effect of these one-off charges, net income before taxes would have been MXN1,465m, up by MXN736m or 101.0% compared to the first quarter of 2010.

Net income for the first quarter of 2011 was MXN855m, unchanged from the first quarter of 2010. Excluding the effect of the one-off charges associated with the restructuring of regional services provided by the bank, net income would have been MXN1,194m, up MXN339m or 39.7% compared with the first quarter of 2010.

Total operating income, which includes loan impairment charges, for the first quarter of 2011 was MXN7,389m, an increase of MXN1,339m or 22.1% compared with MXN6,050m in the first quarter of 2010.

Loan impairment charges for the first quarter of 2011 were MXN1,654m, a decrease of MXN959m or 36.7% compared with MXN2,613m in the first quarter of 2010.

Net loans and advances to customers were MXN167.2bn at 31 March 2011, an increase of MXN21.6bn or 14.9% compared with MXN145.5bn at 31 March 2010. Total impaired loans as a percentage of gross loans and advances to customers improved to 2.7% compared with 4.2% at 31 March 2010. The coverage ratio was 197.7% compared with 149.2% at 31 March 2010.

At 31 March 2011, deposits were MXN259.6bn, an increase of MXN34.5bn or 15.3% compared with MXN225.2bn at 31 March 2010.

Return on equity was 7.2% for the first quarter of 2011, unchanged from the first quarter of 2010.

At 31 March 2011, the bank's capital adequacy ratio was 14.4% and the tier 1 capital ratio was 10.9%, compared with 17.3% and 13.5% respectively at 31 March 2010.

On 18 March 2011, the bank paid a dividend of MXN1,800m representing MXN1.095 per share. On 22 March 2011, Grupo Financiero HSBC paid a dividend of MXN3,520m representing MXN1.377 per share.

From the first quarter of 2011 following regulatory requirements issued by the Comisión Nacional Bancaria y de Valores - CNBV, financial figures for both the Insurance and Bond companies are required to be presented on a consolidated basis. As a result, from the first quarter 2010, financial results have been restated to be comparable with first quarter of 2011.

HSBC Mexico S.A. (the bank) is Grupo Financiero HSBC, S.A. de C.V.'s (Grupo Financiero HSBC) primary subsidiary company and is subject to supervision by the Mexican Banking and Securities Commission. The bank is required to file financial information on a quarterly basis (in this case for the first quarter ended 31 March 2011) and this information is publicly available. Given that this information is available in the public domain, Grupo Financiero HSBC, S.A. de C.V. has elected to file this release.

Results are prepared in accordance with Mexican GAAP (Generally Accepted Accounting Principles).

Overview

In the first quarter of 2011, the Mexican economy continued to build on the recovery seen in 2010 and this trend is expected to continue in the second quarter of 2011.

Some moderation is forecast in the second half of the year due to the impact of higher global oil prices; however the overall economy is still expected to expand 4.1% in 2011. Inflation is forecast to be 3.6% for 2011 and it is expected that the Central Bank of Mexico will maintain its policy interest rate at 4.5% during 2011.

In the first quarter of 2011, Grupo Financiero HSBC focused on expanding its credit portfolio and increasing customer deposits, while maintaining strong capital and liquidity positions.

For the quarter ended 31 March 2011, Grupo Financiero HSBC's net income was MXN855m, unchanged from that reported in the first quarter of 2010. Higher trading income and lower impairment charges were offset by lower net interest income and net fee income and higher administrative expenses, largely as a result of the one-off charges associated with the restructuring of regional services provided by the bank. In addition, the effective tax rate for 31 March 2011 was higher than the same period in 2010, largely due to changes in inflation related tax adjustments.

Net interest income was MXN5,282m, a decrease of MXN157m or 2.9% compared with the first quarter of 2010. This decline is mainly driven by increased interest expense as a result of higher customer deposit volumes and lower consumer lending volumes, particularly in credit cards. This was partially offset by higher volumes of available for sale securities and commercial and government loans.

Loan impairment charges were MXN1,654m, a decline of MXN959m or 36.7% compared with the first quarter of 2010. Lower loan impairment charges in 2011 are mainly as the result of a reduction in consumer lending balances, particularly in credit cards, and a general improvement in credit quality as origination criteria have been tightened and collection practices were improved.

Net fee income was MXN1,438m, a decrease of MXN284m or 16.5% compared with the first quarter of 2010. This decline was mainly driven by lower fee income from ATMs, customer deposits and the loan portfolio, particularly in credit cards. Fee income from credit cards continues to decline as balances reduce, however, the pace of this reduction has slowed compared to previous quarters.

Trading income was MXN1,215m, an increase of MXN526m or 76.3% compared with the first quarter of 2010. This improvement in trading income is mainly the result of solid performance in derivatives trading and the sale of one of our equity investments, partially offset by lower foreign exchange and debt trading results.

Administrative and personnel expenses were MXN6,418m, an increase of MXN1,094m or 20.5% compared with the first quarter of 2010. The increase includes one-off charges associated with the restructuring of regional services provided by the bank and, to a lesser extent, the upgrading and optimisation of the branch network. Excluding the effect of one-off charges related with the restructuring of regional services provided by the bank, the increase in expenses would have been MXN608m or 11.4% compared with the first quarter of 2010.

The performance of Grupo Financiero HSBC's non bank subsidiaries continues to represent an important contribution to the Group's results, particularly HSBC Seguros. For the first quarter of 2011, HSBC Seguros reported net profit of MXN338m, MXN5m or 1.4% less than in the first quarter of 2010. Lower financial income resulting from the low interest rate environment affected profitability. However, this was partially offset by a decrease in technical reserves, higher premiums from the T5 individual life product and renegotiation of coinsurer and reinsurer contracts.

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Net loans and advances to customers increased MXN21.6bn or 14.9% to MXN167.2bn at 31 March 2011 compared with 31 March 2010. This increase is mainly driven by growth in the commercial and government portfolios.

At 31 March 2011, total impaired loans decreased by 26.7% to MXN4.8bn compared with 31 March 2010, mainly due to a 54.9% reduction in impaired consumer loans. Total impaired loans as a percentage of gross loans and advances to customers improved to 2.7% from 4.2% at 31 March 2010.

Total loan loss allowances at 31 March 2011 were MXN9.6bn, a decrease of MXN287m or 2.9% compared to 31 March 2010. The total coverage ratio (allowance for loan losses divided by impaired loans) was 197.7% at 31 March 2011 compared with 149.2% at 31 March 2010. This increase in the coverage ratio is primarily due to the reduction in total impaired loans.

Total deposits were MXN259.6bn at 31 March 2011, an increase of MXN34.5bn or 15.3% compared with 31 March 2010. This is due to an increased focus on sales and promotion of flagship deposit products, specifically 'Ahorro' and 'Flexible'.

At 31 March 2011, the bank's capital adequacy ratio was 14.4% compared with 17.3% at 31 March 2010. The Tier 1 capital ratio was 10.9% compared with 13.5% at 31 March 2010. The reduction in the capital adequacy ratio is mainly due to an increase in credit risk assets, the impact of the adoption of local regulatory operational risk requirements, the dividend payment and a reduction in the valuation of available for sale securities, partially offset by a decrease in market risk.

On 18 March 2011, the bank paid a dividend of MXN1,800m representing MXN1.095 per share. On 22 March 2011, Grupo Financiero HSBC paid a dividend of MXN3,520m representing MXN1.377 per share.

Business Highlights

Personal Financial Services (PFS)

During the first quarter of 2011, PFS achieved very strong sales in its consumer loan products and continued to grow its wealth management business. The new branch operating model coupled with the sales campaign 'Gran Venta HSBC' launched at the end of January, provided the momentum for the increase in sales.

At the end of the first quarter of 2011, PFS core customer deposit balances increased 7.7% compared to the first quarter of 2010. In particular, 'Ahorro' and 'Flexible' sales increased by 46%.

Special focus was placed on cross-selling of payroll accounts to our Global Banking and Commercial Banking customers. As a result, payroll accounts reported the highest quarterly growth for the past six years.

During the period, despite the credit card market remaining relatively stagnant, we increased credit card sales as a result of the 'Gran Venta HSBC' campaign. In addition, several strategies were launched aimed at reducing seasonal decreases in credit card balances including: installments on purchases, balance transfers, credit limit increases, extended preferential rates, cash advances, convenience cheques, 10% supermarket purchase rebates and discount on first day of activation purchases. We also launched our new loyalty programme, HSBC MAS, which provides our customers with more benefits and better services.

Commercial Banking

During first quarter of 2011, Commercial Banking deposits continued to grow solidly, reporting a 25% increase compared with 31 March 2010. Additionally, the loan portfolio grew by 41% compared with 31 March 2010.

To provide our Business Banking customers with additional product choice, we launched the new 'HSBC Empresas' credit card. This credit card will allow business banking customers to meet their working capital needs. In addition, we re-priced our products in order to provide competitive product offerings and we continue to increase our presence in branches with specialised account managers for Business Banking customers.

To support our corporate customers, efforts are focused on improving our client service and product offerings, as we believe this segment is key for our growth during 2011.

Global Banking and Markets

Global Markets reported solid revenues in its three core activities: Balance Sheet Management, Sales and Trading, and derivative sales.

During the first quarter of 2011, results also benefited from extraordinary income from the sale of one of our equity investments. Cross-selling of Global Markets products and services to all the bank's customer segments remains the key growth driver.

During the first quarter, Global Banking's credit and lending business originated new lending to corporate clients in excess of MXN 6,671m.

In Debt Capital Markets business, we have placed and participated in bond issuances for a total transaction amount of MXN 60,366m including United Mexican States (UMS), CEMEX, Inbursa, Santander, INFONAVIT, Bancomext and Interacciones, placing HSBC in the top three in local league tables.

Global Banking achieved particularly good results in Client Bank Deposits, by increasing our average balances by 64% year-on-year.

Grupo Financiero HSBC first quarter 2011 financial results as reported to HSBC Holdings plc, our ultimate parent company, under International Financial Reporting Standards (IFRS)

For the quarter ended 31 March 2011, Grupo Financiero HSBC reported pre-tax profits of MXN1,596m, an increase of MXN289m or 22.1% compared with MXN1,307m in 31 March 2010.

The higher results compared to that reported under Mexican GAAP is largely due to lower loan impairment charges as result of the different provisioning methodologies. A reconciliation and explanation between the Mexican GAAP and IFRS results is included with the financial statements of this document.

SALE OF HSBC AFORE TO PRINCIPAL FINANCIAL GROUP

As announced on 11 April 2011, Grupo Financiero HSBC, signed an agreement to sell HSBC Afore, S.A. de C.V., its pension funds management business, to Principal Financial Group, S.A. de C.V. ('Principal') for a cash consideration of MXN2,360m (approximately US\$198m).

Grupo Financiero HSBC and Principal will work together to ensure a smooth transition and have agreed to establish an exclusive distribution agreement, under which Principal will continue the sale and servicing of its pension fund products through the Grupo Financiero HSBC's retail banking network in Mexico.

The transaction, which is subject to regulatory approvals, is expected to be completed in the third quarter of 2011.

About HSBC

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Grupo Financiero HSBC, is one of the leading financial groups in Mexico with 1,147 branches, 6,361 ATMs, approximately eight and a half million total customer accounts and more than 20,000 employees. For more information, consult our website at www.hsbc.com.mx.

Grupo Financiero HSBC, is a 99.99% directly owned subsidiary of HSBC Latin America Holdings (UK) Limited, which is a wholly owned subsidiary of HSBC Holdings plc, and a member of the HSBC Group. With around 7,500 offices in 87 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa and assets of US\$2,455bn at 31 December 2010, HSBC is one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

Consolidated Balance Sheet

| Figures in MXN millions | GROUP | | BANK | |
|---------------------------------------|----------------|----------------|----------------|----------------|
| | 31 Mar 2011 | 31 Mar 2010 | 31 Mar 2011 | 31 Mar 2010 |
| Assets | | | | |
| Cash and deposits in banks | 53,883 | 59,441 | 53,881 | 59,431 |
| Margin accounts | 50 | 3 | 50 | 3 |
| Investment in securities | 170,743 | 148,096 | 156,672 | 133,620 |
| Trading securities | 37,234 | 51,934 | 30,554 | 45,654 |
| Available-for-sale securities | 118,799 | 79,736 | 118,799 | 79,427 |
| Held to maturity securities | 14,710 | 16,426 | 7,319 | 8,539 |
| Repurchase agreements | 362 | 14 | 362 | 14 |
| Derivative transactions | 25,379 | 22,773 | 25,379 | 22,773 |
| Performing loans | | | | |
| Commercial loans | 85,672 | 70,775 | 85,672 | 70,775 |
| Loans to financial intermediaries | 12,591 | 7,412 | 12,591 | 7,412 |
| Consumer loans | 26,948 | 28,008 | 26,948 | 28,008 |
| Mortgage loans | 17,553 | 19,769 | 17,553 | 19,769 |
| Loans to government entities | 29,136 | 22,832 | 29,136 | 22,832 |
| Total performing loans | 171,900 | 148,796 | 171,900 | 148,796 |
| Impaired loans | | | | |
| Commercial loans | 1,721 | 1,648 | 1,721 | 1,648 |
| Consumer loans | 1,260 | 2,794 | 1,260 | 2,794 |
| Mortgage loans | 1,854 | 2,157 | 1,854 | 2,157 |
| Total impaired loans | 4,835 | 6,599 | 4,835 | 6,599 |
| Gross loans and advances to customers | 176,735 | 155,395 | 176,735 | 155,395 |
| Allowance for loan losses | (9,560) | (9,847) | (9,560) | (9,847) |

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|--|---------|---------|---------|---------|
| Net loans and advances to customers | 167,175 | 145,548 | 167,175 | 145,548 |
| Premium receivables | 312 | 394 | - | - |
| Accounts receivables from reinsurers and rebonding companies | 330 | 357 | - | - |
| Other accounts receivable | 28,783 | 19,992 | 28,839 | 20,253 |
| Foreclosed assets | 165 | 211 | 165 | 211 |
| Property, furniture and equipment, net | 8,799 | 7,718 | 8,795 | 7,715 |
| Long-term investments in equity securities | 200 | 209 | 120 | 134 |
| Long-term assets available for sale | 2,465 | 2,245 | - | - |
| Deferred tax assets | 5,748 | 4,774 | 5,636 | 4,693 |
| Goodwill | 1,218 | 1,218 | - | - |
| Other assets, deferred charges and intangibles | 5,213 | 3,336 | 5,011 | 3,157 |
| Total assets | 470,825 | 416,329 | 452,085 | 397,552 |

Consolidated Balance Sheet
(continued)

| Figures in MXN millions | GROUP | | BANK | |
|--|-------------|-------------|-------------|-------------|
| | 31 Mar 2011 | 31 Mar 2010 | 31 Mar 2011 | 31 Mar 2010 |
| Liabilities | | | | |
| Deposits | 259,637 | 225,183 | 260,297 | 225,481 |
| Demand deposits | 153,463 | 121,859 | 154,123 | 122,157 |
| Time deposits | 101,906 | 99,057 | 101,906 | 99,057 |
| Issued credit securities | 4,268 | 4,267 | 4,268 | 4,267 |
| Bank deposits and other liabilities | 19,921 | 11,955 | 19,921 | 11,955 |
| On demand | 3,827 | 2,245 | 3,827 | 2,245 |
| Short-term | 14,607 | 8,060 | 14,607 | 8,060 |
| Long-term | 1,487 | 1,650 | 1,487 | 1,650 |
| Repurchase agreements | 49,816 | 37,469 | 54,392 | 42,295 |
| Settlement accounts | 1,440 | 5,518 | 1,440 | 5,518 |
| Collateral sold | 9,215 | 16,366 | 4,639 | 11,539 |
| Derivative transactions | 24,009 | 24,886 | 24,009 | 24,886 |
| Technical reserves | 10,670 | 10,329 | - | - |
| Reinsurers | 35 | 201 | - | - |
| Other accounts payable | 40,073 | 25,153 | 41,452 | 24,645 |
| Income tax and employee profit sharing payable | 1,210 | 1,300 | 918 | 1,124 |
| Contribution for future capital increases | - | - | 2,013 | - |
| | 38,863 | 23,853 | 38,521 | 23,521 |

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|---|---------|---------|---------|---------|
| Sundry creditors and other accounts payable | | | | |
| Subordinated debentures outstanding | 9,881 | 10,006 | 9,881 | 10,006 |
| Deferred tax liabilities | 680 | 872 | 639 | 830 |
| Total liabilities | 425,377 | 367,938 | 416,670 | 357,155 |
| Equity | | | | |
| Paid in capital | 32,673 | 32,678 | 25,605 | 25,605 |
| Capital stock | 5,111 | 9,434 | 5,087 | 5,087 |
| Additional paid in capital | 27,562 | 23,244 | 20,518 | 20,518 |
| Other reserves | 12,764 | 15,702 | 9,807 | 14,789 |
| Capital reserves | 1,726 | 1,648 | 10,636 | 14,313 |
| Retained earnings | 11,368 | 13,136 | 131 | 136 |
| Result from the mark-to-market of available-for-sale securities | (1,277) | 406 | (1,277) | 282 |
| Result from cash flow hedging transactions | 92 | (343) | 92 | (343) |
| Net income | 855 | 855 | 225 | 401 |
| Minority interest in capital | 11 | 11 | 3 | 3 |
| Total equity | 45,448 | 48,391 | 35,415 | 40,397 |
| Total liabilities and equity | 470,825 | 416,329 | 452,085 | 397,552 |

Consolidated Balance Sheet
(continued)

| | GROUP | | BANK | |
|--|-------------|-------------|-------------|-------------|
| | 31 Mar 2011 | 31 Mar 2010 | 31 Mar 2011 | 31 Mar 2010 |
| Figures in MXN millions | | | | |
| Memorandum Accounts | 2,490,065 | 2,216,565 | 2,383,147 | 2,113,462 |
| Third party accounts | 90,431 | 41,531 | 50,542 | 39,564 |
| Clients current accounts | (24) | - | - | - |
| Custody operations | 29,793 | - | - | - |
| Transactions on behalf of clients | 10,120 | 1,967 | - | - |
| Third party investment banking operations, net | 50,542 | 39,564 | 50,542 | 39,564 |
| Proprietary position | 2,399,634 | 2,175,034 | 2,332,605 | 2,073,898 |
| Guarantees granted | 16 | 25 | 16 | 25 |
| Contingent assets and liabilities | 115 | 128 | 115 | 128 |
| | 17,185 | 14,013 | 17,185 | 14,013 |

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|--|-----------|-----------|-----------|-----------|
| Irrevocable lines of credit granted | | | | |
| Goods in trust or mandate | 310,733 | 271,462 | 310,733 | 271,462 |
| Goods in custody or under administration | 257,710 | 238,131 | 252,599 | 233,020 |
| Collateral received by the institution | 14,220 | 26,071 | 14,220 | 26,071 |
| Collateral received and sold or delivered as guarantee | 17,926 | 30,896 | 13,346 | 26,071 |
| Values in deposit | 53 | 52 | - | - |
| Suspended interest on impaired loans | 236 | 273 | 236 | 273 |
| Recovery guarantees for issued bonds | 45,011 | 36,508 | - | - |
| Paid claims | 5 | - | - | - |
| Cancelled claims | 1 | 1 | - | - |
| Responsibilities from bonds in force | 3,623 | 3,296 | - | - |
| Other control accounts | 1,732,800 | 1,554,178 | 1,724,155 | 1,502,835 |

Consolidated Income Statement

| Figures in MXN millions | GROUP | | BANK | |
|-----------------------------------|-------------|-------------|-------------|-------------|
| | 31 Mar 2011 | 31 Mar 2010 | 31 Mar 2011 | 31 Mar 2010 |
| Interest income | 7,197 | 7,265 | 7,017 | 7,073 |
| Interest expense | (2,191) | (1,961) | (2,196) | (1,915) |
| | 5,006 | 5,304 | 4,821 | 5,158 |
| Earned premiums | 778 | 686 | - | - |
| Increase in technical reserves | (154) | (215) | - | - |
| Claims | (348) | (336) | - | - |
| | 276 | 135 | - | - |
| Net interest income | 5,282 | 5,439 | 4,821 | 5,158 |
| Loan impairment charges | (1,654) | (2,613) | (1,654) | (2,613) |
| Risk-adjusted net interest income | 3,628 | 2,826 | 3,167 | 2,545 |
| Fees and commissions receivable | 1,913 | 2,203 | 1,841 | 2,104 |
| Fees payable | (475) | (481) | (328) | (265) |
| Trading income | 1,215 | 689 | 839 | 458 |
| Other operating income | 1,108 | 813 | 1,124 | 961 |

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|--|---------|---------|---------|---------|
| Total operating income | 7,389 | 6,050 | 6,643 | 5,803 |
| Administrative and personnel expenses | (6,418) | (5,324) | (6,477) | (5,523) |
| Net operating income | 971 | 726 | 166 | 280 |
| Undistributed income from subsidiaries | 8 | 3 | 9 | 2 |
| Net income before taxes | 979 | 729 | 175 | 282 |
| Income tax and employee profit sharing tax | (322) | (628) | (41) | (470) |
| Deferred income tax | 127 | 647 | 94 | 589 |
| Net income before discontinued operations | 784 | 748 | 228 | 401 |
| Discontinued operations | 74 | 107 | - | - |
| Minority interest | (3) | - | (3) | - |
| Net income | 855 | 855 | 225 | 401 |

Consolidated Statement of Changes in Shareholders' Equity

GROUP

| Figures in MXN millions | Capital contributed | Capital reserves | Retained earnings | Result from valuation of available-for-sale securities | Result from cash flow hedging transactions | Net income | Minority interest |
|--|---------------------|------------------|-------------------|--|--|------------|-------------------|
| Balances at 1 January 2011 | 32,673 | 1,726 | 13,058 | 140 | (213) | 2,119 | 10 |
| Movements inherent to the shareholders' decision | | | | | | | |
| Transfer of result of prior years | - | - | 2,119 | - | - | (2,119) | |
| Cash dividends | - | - | (3,520) | - | - | - | |

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|-------|---|---|---------|---|---|---------|
| Other | - | - | (289) | - | - | - |
| Total | - | - | (1,690) | - | - | (2,119) |

Movements for the recognition of the comprehensive income

| | | | | | | |
|--|--------|-------|---------|---------|-----|-----|
| Net income | - | - | - | - | - | 855 |
| Result from valuation of available-for-sale securities | - | - | (1,417) | - | - | - |
| Result from cash flow hedging transactions | - | - | - | - | 305 | - |
| Total | - | - | - | (1,417) | 305 | 855 |
| Balances at 31 March 2011 | 32,673 | 1,726 | 11,368 | (1,277) | 92 | 855 |

Consolidated Statement of Changes in Shareholders' Equity

BANK

| Figures in MXN millions | Capital contributed | Capital reserves | Retained earnings | Result from valuation of available-for-sale securities | Result from cash flow hedging transactions | Net income | Minority interests |
|--|---------------------|------------------|-------------------|--|--|------------|--------------------|
| Balances at 1 January 2011 | 25,605 | 12,436 | - | (48) | (213) | 420 | - |
| Movements inherent to the shareholders' decision | | | | | | | |
| Transfer of result of prior years | - | - | 420 | - | - | (420) | - |
| Cash dividends | - | (1,800) | - | - | - | - | - |
| Other | - | - | (289) | - | - | - | - |
| Total | - | (1,800) | 131 | - | - | (420) | - |

Movements for
the
recognition of
the

comprehensive
income

| | | | | | | |
|---|--------|--------|-----|---------|-----|-----|
| Net income | - | - | - | - | - | 225 |
| Result from valuation of available- for-sale securities | - | - | - | (1,229) | - | - |
| Result from cash flow hedging transactions | - | - | - | - | 305 | - |
| Total | - | - | - | (1,229) | 305 | 225 |
| Balances at 31 March 2011 | 25,605 | 10,636 | 131 | (1,277) | 92 | 225 |

Consolidated Statement of Cash Flows

GROUP

| Figures in MXN millions | 31 Mar 2011 |
|---|----------------|
| Net income | 855 |
| Adjustments for items not involving cash flow: | 14,525 |
| Gain or loss on appraisal of activities associated with investment & financing | (597) |
| Allowances for loan losses | 1,677 |
| Depreciation and amortisation | 774 |
| Provisions | 1,737 |
| Income tax and deferred taxes | 195 |
| Technical reserves | 10,670 |
| Undistributed income from subsidiaries | 69 |
| Changes in items related to operating activities: | |
| Margin accounts | (8) |
| Investment securities | (28,620) |
| Repurchase agreements | 1,494 |
| Derivative (assets) | 3,756 |
| Loan portfolio | (6,704) |
| Foreclosed assets | (26) |
| Operating assets | (5,783) |

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|---|---------|
| Deposits | 6,301 |
| Bank deposits and other liabilities | (2,010) |
| Settlement accounts | (919) |
| Creditors repo transactions | 19,905 |
| Collateral sold or delivered as guarantee | (2,569) |
| Derivative (liabilities) | (6,536) |
| Subordinated debentures outstanding | (126) |
| Accounts receivables from reinsurers and coinsurers | (330) |
| Accounts receivables from premiums | (312) |
| Reinsurers and bonding | 35 |
| Other operating liabilities | 12,993 |
| Funds provided by operating activities | (9,459) |

Investing activities:

| | |
|--|-------|
| Acquisition of property, furniture and equipment | 504 |
| Intangible assets acquisitions | (346) |
| Funds used in investing activities | 158 |

Financing activities:

| | |
|------------------------------------|---------|
| Cash dividends | (3,520) |
| Funds used in financing activities | (3,520) |

Financing activities:

| | |
|---|--------|
| Decrease in cash and equivalents | 2,559 |
| Cash and equivalents at beginning of period | 51,324 |
| Cash and equivalents at end of period | 53,883 |

Consolidated Statement of Cash Flows

BANK

| | |
|--|----------|
| | 31 Mar |
| Figures in MXN millions | 2011 |
| Net income | 225 |
| Adjustments for items not involving cash flow: | 3,532 |
| Gain or loss on appraisal of activities associated with investment & financing | (597) |
| Allowances for loan losses | 1,677 |
| Depreciation and amortisation | 774 |
| Provisions | 1,737 |
| Income tax and deferred taxes | (53) |
| Undistributed income from subsidiaries | (6) |
| Changes in items related to operating activities: | |
| Margin accounts | (8) |
| Investment securities | (18,389) |
| Repurchase agreements | 1,494 |
| Derivative (assets) | 3,756 |
| Loan portfolio | (6,704) |

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|---|---------|
| Foreclosed assets | (5) |
| Operating assets | (5,969) |
| Deposits | 6,684 |
| Bank deposits and other liabilities | (2,010) |
| Settlement accounts | (919) |
| Creditors repo transactions | 19,524 |
| Collateral sold or delivered as guarantee | (2,188) |
| Derivative (liabilities) | (6,536) |
| Subordinated debentures outstanding | (126) |
| Other operating liabilities | 13,034 |
| Funds provided by operating activities | 1,638 |

Investing activities:

| | |
|--|-------|
| Acquisition of property, furniture and equipment | (491) |
| Intangible assets acquisitions | (258) |
| Funds used in investing activities | (749) |

Financing activities:

| | |
|------------------------------------|---------|
| Cash dividends | (1,800) |
| Other | (289) |
| Funds used in financing activities | (2,089) |

Financing activities:

| | |
|---|--------|
| Decrease in cash and equivalents | 2,557 |
| Cash and equivalents at beginning of period | 51,324 |
| Cash and equivalents at end of period | 53,881 |

Differences between Mexican GAAP and International Financial Reporting Standards (IFRS)

Grupo Financiero HSBC

HSBC Holdings plc, the ultimate parent of Grupo Financiero HSBC, reports its results under International Financial Reporting Standards (IFRS). Set out below is a reconciliation of the results of Grupo Financiero HSBC from Mexican GAAP to IFRS for the three months ended 31 March 2011 and an explanation of the key reconciling items.

| | | |
|---|------|-----|
| | Mar | 31 |
| Figures in MXN millions | 2011 | |
| Grupo Financiero HSBC - Net Income Under Mexican GAAP | | 855 |
| Differences arising from: | | |
| Valuation of defined benefit pensions and post retirement healthcare benefits W | | 17 |
| Acquisition costs relating to long-term investment contracts W | | (2) |
| | | (8) |

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| | |
|--|-------|
| Deferral of fees received and paid on the origination of loans | |
| Recognition and provisioning for loan impairments W | 442 |
| Purchase accounting adjustments W | (6) |
| Recognition of the present value in-force of long-term insurance contracts W | 20 |
| Other W | (23) |
| Net income under IFRS | 1,295 |
| US dollar equivalent (millions) | 107 |
| Add back tax expense | 301 |
| Profit before tax under IFRS | 1,596 |
| US dollar equivalent (millions) | 132 |
| Exchange rate used for conversion | 12.06 |

W Net of tax at 30%.

Summary of key differences between Grupo Financiero HSBC's results as reported under Mexican GAAP and IFRS

Valuation of defined benefit pensions and post retirement healthcare benefits

Mexican GAAP

Defined benefit pension costs and the present value of defined benefit obligations are calculated at the reporting date by the schemes' actuaries using the Projected Unit Credit Method and real interest rates.

IFRS

Defined benefit pension costs and the present value of defined benefit obligations are calculated at the reporting date by the schemes' actuaries using the Projected Unit Credit Method. The net charge to the income statement mainly comprises the current service cost, plus the unwinding of the discount rate on plan liabilities, less the expected return on plan assets, and is presented in operating expenses. Past service costs are charged immediately to the income statement to the extent that the benefits have vested, and are otherwise recognised on a straight-line basis over the average period until the benefits vest. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), as well as the effects of changes in actuarial assumptions. Actuarial gains and losses are recognised in other comprehensive income in the period in which they arise.

Acquisition costs of long-term investment contracts

Mexican GAAP

All costs related to the acquisition of long-term investment contracts are expensed as they are incurred.

Summary of key differences between Grupo Financiero's results as reported under Mexican GAAP and IFRS (continued)

IFRS

Incremental costs relating to the acquisition of long-term investment contracts are deferred and amortised over the expected life of the contract.

Fees paid and received on the origination of loans

Mexican GAAP

From 1 January 2007, loan origination fees are required to be deferred and amortised over the life of the loan on a straight line basis. Prior to 2007, loan origination fees were recognised up-front.

IFRS

Fees and expenses received or paid on origination of a loan that are directly attributable to the origination of that loan are accounted for using the effective interest rate method over the expected life of the loan. This policy has been in effect since 1 January 2005.

Loan impairment charges

Mexican GAAP

Loan impairment charges are calculated following the rules issued by the Mexican Ministry of Finance and the National Banking and Securities Commission. Such rules establish methodologies for determining the amount of provision for each type of loan.

IFRS

Impairment losses on collectively assessed loans are calculated as follows:

- When appropriate empirical information is available, the Bank utilises roll rate methodology. This methodology employs statistical analysis of historical data and experience of delinquency and default to estimate the amount of loans that will eventually be written off as a result of events occurring before the balance sheet date which the Bank is not able to identify on an individual loan basis, and that can be reliably estimated.
- In other cases, loans are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss.

Impairment losses on individually assessed loans are calculated by discounting the expected future cash flows of a loan at its original effective interest rate, and comparing the resultant present value with the loans current carrying value.

Purchase accounting adjustments

Purchase accounting adjustments arose from the valuation of assets and liabilities on acquiring Grupo Financiero Bital in November 2002 under IFRS. Under Mexican GAAP, a different valuation methodology is applied.

Recognition of present value of in-force long-term life insurance contracts

Mexican GAAP

The present value of future earnings is not recognised. Premiums are accounted for on a received basis and reserves are calculated in accordance with guidance as set out by the Insurance Regulator (Comisión Nacional de Seguros y Fianzas).

IFRS

A value is placed on insurance contracts that are classified as long-term insurance business and are in-force at the balance sheet date. The present value of in-force long-term insurance business is determined by discounting future earnings expected to emerge from business currently in force using appropriate assumptions in assessing factors such as recent experience and general economic conditions.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HSBC Holdings plc

By:

Name: P A Stafford

Title: Assistant Group Secretary

Date: 3 May, 2011